

Startling Florida Figures

Showing Enormous Drain of Cash From the State Made by Insurance Companies Each Year—Get Millions More Than They Put In

Little doubt exists that the next Legislature of Florida will again take up the question of providing State insurance, and in view of such event, discussion of insurance business in this State is timely.

According to the population of Florida the bill for life insurance is heavy, and a large sum is taken from the State annually never to be brought back, thus reducing the volume of money in circulation.

By means of State insurance, advocates of the plan claim that not only would the premium rate be lower on account of economy of management, but that the money paid in would be invested as far as possible within the limits of Florida.

With lower premiums on life insurance better protection could be given the people, as payment would be more easily made and fewer policies would lapse.

Last year was an extremely profitable season for

Life insurance companies held risks in Florida last year of \$10,972,183, on which premiums of \$1,711,403.80 were paid. If this condition obtained for ten years the insured would have paid \$6,141,855 more than the guaranteed liability of the companies.

If the amount of premium paid last year was invested each year for ten years at 4 per cent, at the end of that period the investors would have the principal of \$17,114,038 and interest of \$3,744,482.

State's Insurance Bill Last Year.

Fire Insurance—	
Premiums paid	\$1,577,915.81
Losses paid.....	669,941.15
Balance in favor of Companies	\$907,974.66
Life Insurance—	
Premiums paid	\$1,711,403.80
Losses paid.....	501,896.91
Balance in favor of Companies	\$1,209,506.89

panies. Only one of these was a State concern, and which had qualified for business October 8, showing December 31, risks of \$146,775, on which premiums of \$1,721.62 had been paid.

The eighteen foreign companies received \$1,709,682.18 in premiums during 1905. They paid claims of \$501,896.91, showing receipts of \$1,207,785.27 in excess of losses.

A striking feature of the year's business is that the premiums paid the New York Life alone were but \$671.93 less than the total losses paid by all the companies.

Of the three big companies doing business in this State the Mutual Life shows receipts above losses of \$328,070.58; the Equitable, \$212,816.71; the New York Life, \$341,604.98.

The premiums collected in the State last year were nearly one-sixth of the total life insurance risk. If collected at the same ratio for ten years the policy holders WOULD HAVE PAID \$6,141,855 MORE THAN THE SUM GUARANTEED BY THE TOTAL OF THE POLICIES.

It cannot be assumed that the present risks would continue for ten years, as many policies would lapse because of non-payment of premiums, or be cancelled on account of death or other reasons for payment by the companies, but it is probable that sufficient new business would be acquired to maintain the present proportions.

In looking at the matter from this view a point worthy of consideration is the side of profitable investment, showing how much less is paid by a life insurance company than in many other forms of investment.

Taking ten years as the period of investment on the basis of last year's business, the holders of insurance policies would pay \$17,114,038 for the guaranteed \$10,972,183. But if the premium of \$1,711,403, paid last year, was deposited each year in savings banks paying 4 per cent interest, or in other equally safe kinds of investment at the same percentage for ten years, the result would be not only the possession of the principal at the end of that period, but interest of \$3,744,482, making a total of \$21,488,520, or \$10,476,357 more than the sum promised by the life insurance companies.

It is the feature of speculating with death, possibly, that naturally gives the charm to life insurance. The chance of obtaining a great deal for little given is the strong card. On account of the promise that the amount called for in the policy will be paid if death ensues within certain time after date of issuance, without regard to the amount paid by the insured, the standard of attractive investment has been reached.

To place this form of investment on a solid foundation, necessarily the premium must be fixed in accordance with the average expectation of life of the person insured. No person can complain of such method, but it appears that the insured besides pay-

ing the real fee for insurance is also contributing largely to a fund for gaining new business. In 1904 more than fifty million dollars were paid by thirty-two companies in gaining new business, nearly all of the money going to agents.

In 1904 the expense of the savings banks of Massachusetts were 1.45 per cent of the year's deposits, or about one-tenth of the insurance expense of that State.

In spite of all the investigation of the big insurance companies there yet remains much to be learned of the manner in which the business has been conducted. Now and then a ray of light reveals some of the darker doings, and to the desire for information by the New Jersey Legislature is the public indebted for knowledge of one company—the Prudential. This company ranks eighth in the amount of risk carried in Florida—\$333,338—and last year its receipts in this State were \$44,741.79, while its losses were but \$3,547.50.

The funds handled by the Treasurer of Florida last year from all sources was about \$700,000.

The amount paid the New York Life, the Mutual and the Equitable Insurance companies over all losses last year was \$783,390.

The receipts of the Equitable and Mutual were \$300,309 and \$411,090 respectively, which together exceed by several thousand dollars the sum handled by the State Treasurer.

The investigation shows that the great wealth of this company is due to the lapse of policies. In 1904, 945,640 policies, covering \$112,292,576 of insurance, lapsed because the unfortunate holders were no longer able to pay the premiums. In five years the lapses of Prudential policies amounted to 51 per cent of the total number issued. There was nothing coming back to the policy holder; what he had paid in was lost to him forever.

While information of lapse of policies in the other big companies is not at hand, yet it is reasonable to suppose that the percentage of lapse was not less than in the Prudential. That company appears to be of good standing as the others, and the premium rate is about the same in all. When this phase of life insurance is considered it is easy to see how the enormous accumulations of the various companies have been gained, and why the activity in seeking new business is unceasing. In order for the companies to continue constant effort is exerted to replace the lapsed policies with new holders of insurance, many of whom will pay for a time, and then will drop out as the burden of annual assessment is beyond their financial strength.

The real cost of insurance is overloaded with the commissions to agents, the enormous salaries paid officers of the companies and contributions for political purposes and lobbying. Were these expenses eliminated the premiums could be so reduced that fewer policy holders would surrender in despair, and life insurance would be a form of investment that the poor man could more easily undertake.

Under State insurance it is declared that such economy would be practiced. Insurance would be furnished at reasonable cost and every protection and aid be given the policy holder. Then, too, the annual flow of money from the State would be checked, to the benefit of every citizen.

the insurance companies doing business in Florida. Both fire and life companies show a heavy balance of receipts against expenditures; more than two million dollars, less commissions paid agents, having been drawn from the State in excess of losses paid.

This does not include the many thousands of dollars paid to accident, surety and other insurance companies, besides the many fraternal organizations which draw heavily from Floridians.

Of the 111 insurance companies of all kinds authorized to do business in this State, only two show a loss for 1905. These were the United States Casualty Company, which paid losses in excess of receipts of \$603.86, and the Guarantee Company of North America, which exhibits a loss of \$862.70.

The amount paid for fire losses in the State last year was but \$669,941.15, while the receipts of the various companies reached a total of \$1,577,915.81, giving the insurers a favorable balance of \$907,974.66. The fire risk assumed was about eighty-five million dollars.

While the fire risk in Florida is nearly nine times greater than that of life insurance, yet it is the latter that is of deeper import to the people.

The value of line insurance as a provision for future needs has been so hammered into the public mind, both by solicitation and advertising, that the habit of becoming insured may be considered a national trait.

It is looked upon as a form of banking, where the deposit may be secured in old age or in providing for family at death of a policy holder. By dwelling upon such benefits the business of life insurance has attained magnitude beyond all other commercial enterprises depending for existence upon direct toll from the people.

The amount of life insurance risk in Florida for 1905 was \$10,972,183, divided among nineteen com-